RUBICON

INTERIM REVIEW

DECEMBER 2016

There are statements in this Review that are ‘forward looking statements.’ As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Rubicon, and our Tenon and ArborGen investments, some of which are beyond our control. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements.

Tenon’s risks and uncertainties include - that its operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it competes, particularly in North America, New Zealand and Europe.

Fluctuations in industrial output, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repair and remodelling and additions to existing homes, new housing starts, relative exchange rate (particularly the US$ and Euro against the NZ$), interest rates, and profitability of customers, can each have a substantial impact on Tenon’s results of operations and financial condition. Other Tenon risks include competitor product development, product demand and pricing, input costs, customer concentration risk, and the outcome of the Clearwood sales process.

Tenon discloses its results separately on the NZX, and those releases may contain additional information on its performance, risks and opportunities than does Rubicon’s reporting of Tenon’s activities. Tenon also regularly updates its shareholders on the Clearwood sales process (including as to independent valuation information) and this information can be accessed either on the NZX website or Tenon’s own website at www.tenon.co.nz. Accordingly, Rubicon shareholders should also refer to Tenon’s announcements.

ArborGen’s risks and uncertainties include (in addition to those of Tenon) the global markets and geographies in which it operates, intellectual property protection, regulatory approvals, public and customer acceptance of genetically engineered products, customer adoption of advanced seedling products, the success of ArborGen’s research and development activities, weather conditions and biological matters. Rubicon is the majority shareholder in Tenon, and effectively controls the financial performance and strategic direction of Tenon as a result. In contrast, Rubicon is only a minority equity investor in ArborGen, and accordingly it does not control the operational / financial performance and strategy of ArborGen, and it is therefore dependent upon another of ArborGen’s partners voting in a like-minded manner in order for Rubicon to achieve its desired ArborGen outcomes.

As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

All references in this document to $ or “dollars” are references to United States dollars unless otherwise stated.

SIX MONTHS ENDED 31 DECEMBER 2016

This Interim Review addresses in summary terms, the performance of Rubicon's two investments – Tenon and ArborGen – for the six months ending 31 December 2016. Rubicon's more detailed Annual Review (inclusive of financials) is available at www.rubicon-nz.com. Tenon's Interim and Annual Reports are available at www.tenon.co.nz.

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As Tenon has had the greater public profile over the past six month, and in order to bring shareholders up to date on progress, this document begins with a review of our Tenon investment for the interim period.

Tenon

Tenon is now wrapping up its Strategic Review. Unquestionably this programme has delivered considerable value for our Tenon investment. Upon its completion, the Review will have seen the –

- Three dividends totalling NZ17.25 cents per share having been paid
- Sale of Tenon's US operating business for US$110 million in cash
- Repayment of all Tenon's net debt
- A (first) pro-rata capital return to shareholders of US$71 million (US$1.10 per share, and cancellation of half of Tenon's shares on issue) in December 2016
- Announcement of the sale (subject to Tenon shareholder approval) of Tenon's remaining Clearwood business to a consortium of investors (including Rubicon), for US$55 million in cash
- If Tenon shareholders approve the Clearwood sale, the payment of a further (second) pro-rata capital return to all Tenon shareholders of US$43 million will be made, with an additional (estimated) US$5.8 million to be made in a subsequent distribution once Tenon is liquidated (see discussion below).

When completed, the total US$ shareholder return (TSR) since the announcement of Tenon's Strategic Review 18 months ago, will be circa 50%[1]. In that respect, the Review will have met its fundamental objective of providing the best risk-adjusted value creating path for Tenon shareholders.

The Clearwood sales process was a very thorough one, run by Deutsche-Craigs on Tenon's behalf. Tenon has stated that the process was exhaustive, and expressions of interest were received from eight domestic and international parties, each of which was thoroughly assessed. Given Rubicon is a member of the consortium (see discussion below), the consortium's offer was considered and negotiated by a subcommittee of the Tenon Board, comprising only the Tenon independent directors. To assist them in their assessment of the offer, Tenon's independent directors appointed Grant Samuel as Independent Advisor to value Clearwood and Tenon as a publicly trading entity.

The consortium's offer of US$55 million falls within Grant Samuel's Clearwood valuation range of US$52.0 – US$62.5 million. The offer, which equates to NZ$2.39 per Tenon share before costs, and NZ$2.12 net of costs exceeds the top end of the range in which Grant Samuel believes Tenon shares should trade in the absence of a sale outcome (NZ$1.74 – NZ$2.08 per share) and it is also well within Grant Samuel's Clearwood sale and liquidation range for Tenon (NZ$1.99 – NZ$2.45 per share). Given that, and also the fact that a very extensive investment bank-led process has been run, the Tenon independent directors accepted the consortium's offer as being in the best interests of Tenon shareholders, and are unanimously recommending to shareholders that they vote in favour of the sale. The matter will now be determined at a Tenon shareholders' Special Meeting on 20 March, 2017.

The consortium comprises a mix of US and NZ private investors, and Rubicon itself. Rubicon will retain a 50% (approximately) interest in the consortium. Rubicon is involved in the consortium for several reasons. Firstly, to ensure that Tenon's Strategic Review is completed successfully, with an appropriate outcome for all shareholders. Secondly, we have indirectly managed the Clearwood business for a long time and know it well. We are a comfortable owner, but would rather own our Clearwood investment directly through a private vehicle, than via a public entity. In this respect, the structure of the consortium vehicle is such that it allows full flexibility as to future ownership changes for its investors. Finally, Rubicon's cash position will improve by some US$10 million as a result of this transaction – from the receipt of our share of the subsequent US$43 million (second) capital return that Tenon independent directors are proposing, and also through the sell-down to a 50% shareholding position (currently ≈ 60% through Tenon).

In terms of Tenon's overall interim earnings performance, our financial statements include the results of Tenon's (now sold) US operating business for 5 months to 30 November, and for Tenon's Clearwood operations and corporate costs for the full six month period. They are complicated by the necessary accounting treatment of the sold US business as discontinued under IFRS. But to summarise, Tenon's US operating business traded very much to plan during the period, right through to sale date. There was a working capital adjustment payment to be made if the final position at 30 November did not align with the estimate the purchaser had been given by Tenon. In the end, this wash-up provision concluded favourably with a small payment to be made to Tenon. Tenon has reported that the Clearwood business (which is the subject of the consortium offer), recorded revenue of US$47 million (including sales to the now sold Tenon US operations) for the six months to 31 December, and EBITDA[2] of (approximately) US$5 million. This is consistent with Grant Samuel's assumption of a Clearwood EBITDA for fiscal '17 of US$10.5 million.

From a balance sheet perspective, all of Tenon's debt was repaid following the completion of the US operation sale, and prior to the first capital return, and Tenon had no net debt (i.e. net of cash) on its balance sheet at 31 December.

ArborGen

ArborGen's core market today is the US. The crop-growing season is typically from April-December, with the sales season occurring primarily in the January-March period each year. Accordingly, Rubicon's Interim Reviews do not cover the US sales season, which means recorded sales revenue and unit volume data are not reported on in respect of the US operations. This seasonality is reflected in the brevity of the production discussion below.

ArborGen's operational (production and revenue) objectives for its current fiscal year are driven by its fast growing Brazil operation. Two years ago, in its initial production year in Brazil, ArborGen's sales volume was 5 million units. This year the objective is to exceed 50 million units (eucalyptus and pine) – a ten-fold increase, and a 65%+ increase on the previous year. As we have previously noted, a strong platform has now been built, and the question becomes how to best fund the productive capacity needed to meet ArborGen's aggressive growth aspirations there.

For the reasons (outside of ArborGen's control) that were noted in our Annual Review (which affected last year's planting and the current year's crop setting), production in ArborGen's largest traditional market, the US, is expected to be more or less flat for the year. The severe weather conditions in the US South that we previously reported on, also caused poor seed germination, which has impacted the production volumes set for the current year. A germination plan has been put in place to mitigate a repeat of this issue in future years. Despite that issue in the period, the average sales price per unit sold should still increase this year, as ArborGen's higher-value product sales as a percentage of its total sales continues to grow. Overall, the percentage of ArborGen's global loblolly and radiata pine sales sold in the form of advanced genetics should be nearing 30% - a turning point.

Despite the flat US production performance noted above, the expectation is that total ArborGen's revenue will lift by 12.5%+ year-on-year, to over US$40 million, aided by the growth achieved in Brazil and the increase in average sales price to be recorded in the US.

The end result of the above is that ArborGen should remain on track to meet its EBITDA break-even target (including the full expensing of all product research costs) in this current fiscal year. Although it has taken a little longer than we would have hoped, this is an important milestone in ArborGen's life. It has built the leading technology and global commercialisation platform in the industry. It is now producing in excess of 340 million seedlings, per annum, globally, and has firmly established a new core commercialisation arena in Brazil. It has also largely passed through the heavy product development spend phase, and past EBITDA losses, which peaked at circa US$18 million per annum, are well behind it.

It should be noted that this fundamental EBITDA goal will not have been met by squeezing ArborGen's product development programme, which continues to advance to plan. In this respect, whilst the bulk of the R&D programme is now clearly focused on genetic improvement in ArborGen's MCP and varietal products (both pine and eucalyptus), ArborGen also recently announced that it had received approval from CTN-Bio (the regulatory authority in Brazil) to field trial its new biotech improved herbicide tolerant product.

ArborGen continued with its balance sheet 'tidy-up' programme during the period, and opportunities to reduce cost and free up capital are being enacted. One of those relates to surplus land sales, and these continue to be advanced, not only in order to operate in a 'capital light' manner but also to free up capital for growth.

Rubicon

Our very immediate objectives are to –

- See a positive conclusion to the Tenon Strategic Review and Clearwood sales process; and
- Reach agreement with our ArborGen partners as to the appropriate funding and value extraction plan going forward.

Once those two matters are behind us, the value path for Rubicon will be much clearer for shareholders. We would expect this clarity will emerge prior to 30 June this year.

Yours sincerely,

Stephen Kasnet

Chairman

1. This is on the basis of a US$ functional currency, for the period from the commencement of the Strategic Review through to its conclusion, adjusting for dividends.

2. EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisations) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance, because that number removes distortions caused by differences in asset ages, depreciation policies, and debt:equity structures. Refer also to Note 11 for further explanation.

RUBICON LIMITED AND SUBSIDIARIES

Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		RUBICON GROUP		
	Notes	6 Months Dec 2016 US$m	Year Ended Jun 2016 US$m	6 Months Dec 2015 US$m
Revenue		47	90	47
Cost of sales		(36)	(71)	(37)
Gross earnings		**11**	**19**	**10**
Earnings by associate		–	1	–
Distribution expense		(5)	(9)	(5)
Administration expense		(4)	(6)	(3)
Operating earnings excluding items below		2	5	2
Impairment		–	(2)	–
Strategic review costs		–	(1)	–
Operating earnings before finacing expense		**2**	**2**	**2**
Financing expense		(2)	(2)	(1)
Earnings before taxation		**–**	**–**	**1**
Tax expense		(2)	–	–
Earnings after taxation from continuing operations		(2)	–	1
Net profit from discontinued operations	9	4	(24)	3
Net Earnings		**2**	**(24)**	**4**
Attributable to:				
Rubicon shareholders		–	(16)	1
Minority shareholders		2	(8)	3
Net Earnings		**2**	**(24)**	**4**

Basic / diluted earnings per share information (cents per share)	–	(3.9)	0.2
Weighted average number of shares outstanding (millions of shares)	409	409	409

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	RUBICON GROUP		
	6 Months Dec 2016 US$m	Year Ended Jun 2016 US$m	6 Months Dec 2015 US$m
Net Earnings	**2**	**(24)**	**4**
Items that may be reclassified to the Consolidated Income Statement:			
Movement in currency translation reserve	–	(1)	(1)
Movement in hedge reserve	–	1	1
Other comprehensive income (net of tax)	**–**	**–**	**–**
Total comprehensive income	**2**	**(24)**	**4**
Total comprehensive income attributable to:			
Rubicon shareholders	–	(17)	1
Minority shareholders	2	(7)	3
Total comprehensive income	**2**	**(24)**	**4**

Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		RUBICON GROUP		
	Notes	6 Months Dec 2016 US$m	Year Ended Jun 2016 US$m	6 Months Dec 2015 US$m
Total comprehensive income		**2**	**(24)**	**4**
Movement in minority shareholders' equity:				
Share buyback by Tenon		(29)	–	–
Dividend	5	(1)	(2)	(1)
Total movement in shareholder equity attributable to:				
Rubicon shareholders' equity		–	(17)	1
Minority shareholders' equity		(28)	(9)	2
Opening equity attributable to:				
Rubicon shareholders		140	157	157
Minority shareholders		40	49	49
Opening total Group equity		180	206	206
Closing equity attributable to:				
Rubicon shareholders		140	140	158
Minority shareholders		12	40	51
Closing Total Group Equity		**152**	**180**	**209**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

RUBICON LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		RUBICON GROUP		
	Notes	6 Months Dec 2016 US$m	Year Ended Jun 2016 US$m	6 Months Dec 2015 US$m
Cash was provided from operating activities				
Receipts from customers		202	428	212
Cash provided from operating activities		202	428	212
Payments to suppliers, employees and other		(199)	(395)	(202)
Tax paid		–	(1)	–
Cash (used in) operating activities		(199)	(396)	(202)
Net cash from (used in) operating activities		**3**	**32**	**10**
Sale of Tenon North American operations		108	–	–
Investment in fixed assets		(1)	(5)	(3)
Investment in associate		–	(4)	(1)
Net cash from (used in) operating activities		**107**	**(9)**	**(4)**
Debt drawdowns		25	18	9
Debt repayment		(81)	(29)	(8)
Interest paid		(2)	(5)	(2)
Return to Tenon minority shareholders by way of:				
Capital return from Tenon		(29)	–	–
Dividend	5	(1)	(2)	(1)
Net cash from (used in) financing activities		**(88)**	**(18)**	**(2)**
Net movement in cash		**22**	**5**	**4**
Opening cash, liquid deposits and overdrafts		2	(3)	(3)
Closing Cash, Liquid Deposits and Overdrafts		**24**	**2**	**1**
Net Earnings		2	(24)	4
Adjustment for:				
Financing expense		4	5	3
Depreciation		1	3	1
Taxation		3	3	1
Earnings from associate		–	(1)	–
Forest assets		1	–	–
Impairment and other non cash items		–	34	–
Cash flow from operations before net working capital movement		11	20	9
Trade and other receivables		2	(2)	2
Inventory		(8)	9	3
Trade and other payables		(2)	5	(4)
Net working capital movement		(8)	12	1
Net cash from operating activities		**3**	**32**	**10**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Balance Sheet (Unaudited)

AS AT 31 DECEMBER 2016

		RUBICON GROUP		
	Notes	Dec 2016 US$m	Jun 2016 US$m	Dec 2015 US$m
Current assets				
Cash and liquid deposits		24	2	1
Trade and other receivables		8	36	31
Inventory		10	71	77
Total current assets		**42**	**109**	**109**
Non current assets				
Fixed assets		17	26	26
Forest assets		–	1	1
Investment in associate		91	91	87
Goodwill		18	54	85
Deferred taxation asset		5	8	10
Total non current assets		**131**	**180**	**209**
Total assests		**173**	**289**	**318**
Current liabilities				
Trade, other payables and provisions		(12)	(42)	(33)
Current debt	6	(7)	(29)	(21)
Total current liabilities		**(19)**	**(71)**	**(54)**
Term liabilities				
Term debt	6	(2)	(35)	(55)
Deferred rent liabilites		–	(3)	–
Total term liabilities		**(2)**	**(38)**	**(55)**
Total liabilities		**(21)**	**(109)**	**(109)**
Net Assets		**152**	**180**	**209**
Equity				
Share capital		188	188	188
Reserves	7	(48)	(48)	(30)
Equity attributable to Rubicon shareholders		**140**	**140**	**158**
Equity attributable to minority shareholders		12	40	51
Total Group Equity		**152**	**180**	**209**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

1 BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited and Subsidiaries (the Group) for the six months from 1 July 2016 to 31 December 2016.

The financial statements have been prepared in accordance with New Zealand International Accounting Standard 34, and do not include all of the information required to be disclosed for full annual financial statements.

These financial statements should be read in conjunction with the audited financial statements for the years ended 30 June 2016 and 30 June 2015, which have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The presentation currency used in the preparation of these financial statements is the United States dollar (US$), rounded to the nearest million. Consequently all financial numbers are in US$ unless otherwise stated.

Accounting Policies

There have been no changes in accounting policies during the period. The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 30 June 2016.

The June 2016 and December 2015 income statements comparatives have been restated to reflect the separation between continuing and discontinued operations. Interest expense has been allocated between continuing and discontinued operations based on a percentage of net assets, excluding tax balances.

2 APPROVAL OF ACCOUNTS

These consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 24 February 2017.

3 USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (refer June 2016 statutory report, note 4, for greater detail). Actual results could differ from those estimates.

4 TENON STRATEGIC REVIEW

On 1 December 2016, Tenon settled the sale of its US distribution business to Blue Wolf for $113 million. The initial sale price of $110 million was increased by $3 million due to an increase in the level of working capital between signing the sale and purchase agreement in August 2016 and settlement on 1 December 2016. The proceeds of the sale, after repayment of Tenon's debt obligations at 30 November 2016, was repaid to shareholders as a $71 million capital return on 23 December 2016. The US operations have been classified as discontinued (refer to note 9).

In September 2016 agreement was reached to sell the Australian operations, with settlement in October 2016. Australia was a small branch of the New Zealand Clearwood operations, which was not considered a separate geographic segment, and it has not been not treated as a discontinued operation for reporting purposes. Tenon's remaining operating assets, after the US business sale, are its Clearwood manufacturing operation in New Zealand and related global sales operations. The New Zealand Clearwood and Australian operations are reported as continuing operations.

See note 10 for announcement on the proposed sale of the Clearwood operations.

5 TENON DIVIDEND PAYMENT

On 16 September Tenon paid a dividend of NZ$6.5 cents per share (cps) (April 2016: NZ$5.75 cps, November 2015: NZ$5.0 cps). The total dividend paid was NZ$4 million (US$3 million) (June 2016: NZ$7 million, US$5 million, December 2015: NZ$3 million, US$2 million), of which Rubicon received NZ$2.5 million (US$1.8 million) (June 2016: NZ$4 million, US$3 million, December 2015: NZ$1.9 million, US$1.2 million). Upon consolidation the dividends paid to Rubicon are eliminated and only the dividend paid to minority shareholders, $1.2 million (June 2016: $2 million, December 2015: $0.8 million), are shown in the statement of changes in equity and cash flow statement.

6 CURRENT DEBT AND TERM DEBT

On 18 November 2016, Tenon announced that it had signed a new two-year bank facility with the Bank of New Zealand comprising a $20 million amortising revolving cash advance facility and a $5 million working capital facility. This new bank facility replaced the previous syndicated debt financing facility which was repaid on 1 December 2016 concurrent with the sale of Tenon's US operations.

Tenon's new cash advance facility limit reduces by $2.5 million on both the 30 June 2017 and 30 June 2018 and the total facility expires on 31 January 2019. Tenon's new facility has standard business covenants relating to business operations and a financial leverage ratio. The financial leverage ratio is calculated as a ratio of net debt to EBITDA [(1)], with the maximum permitted net debt being 2.5 times EBITDA.

Under this new facility, permitted distributions (dividends and capital returns) are limited depending on the source of funding:
- Distributions funded from the US business sale proceeds have no restrictions,
- Aggregated distributions funded from the cash advance facility is limited to US$20 million over the life of the facility, and
- Distributions which are not otherwise funded from the cash advance facility or sale of US business sale proceeds, are restricted to 100% of NPAT if the leverage ratio is less than two times and 75% of NPAT is the leverage ratio is greater than two times.

As at 31 December 2016, Tenon had $2 million drawn under the amortising revolving cash advance facility and a cash balance of $2 million.

Rubicon utilised the proceeds of Tenon's capital return to repay in full its $20 million ANZ facility. At 31 December Rubicon had only $7 million of subordinated unsecured debt notes (Notes) outstanding. These Notes had a maturity date of 2 January 2017 and interest payable (which will accrue until maturity), of 12% per annum on the amount drawn, which reflects the unsecured nature of the debt. In December the Note holders agreed to extend the maturity date to 1 July 2017.

At 31 December the Group held cash of $24 million (Rubicon $22 million, Tenon $2 million), bank debt of $2 million (Tenon) and outstanding subordinated Notes of $7 million (Rubicon).

All term debt facilities are denominated in US dollars.

(1) EBITDA is a Non-GAAP financial measure, refer to note 11.

7 RESERVES

	RUBICON GROUP		
	Dec 2016 US$m	**Jun 2016 US$m**	**Dec 2015 US$m**
Retained earnings			
Opening balance	(46)	(30)	(30)
Net earnings	–	(16)	1
Closing balance	(46)	(46)	(29)
Revaluation reserve			
Opening balance	1	1	1
Closing balance	1	1	1
Currency translation reserve			
Opening balance	(3)	(2)	(1)
Translation of independent foreign operations	–	(1)	(1)
Closing balance	(3)	(3)	(2)
Total reserves	**(48)**	**(48)**	**(30)**

8 SEGMENTAL INFORMATION SUMMARY

The Group has two reportable segments and their analysis is as follows:

	RUBICON GROUP		
	6 Months Dec 2016 US$m	Year Ended Jun 2016 US$m	6 Months Dec 2015 US$m
Appearance and wood products			
Continuing operating revenue	47	90	47
Discontinued operations revenue	160	359	173
Less intercompany revenue	(7)	(19)	(10)
Operating revenue	200	430	210
Total assets (1)	59	197	231
Continuing operations earnings	1	3	3
Discontinued operations earnings	4	(24)	3
Segment net earnings	5	(21)	6
Forestry genetics			
Operating revenue	–	–	–
Total assets	91	91	87
Segment net earnings	–	1	–
Total Group			
Continuing operating revenue	47	90	47
Discontinued operations revenue	160	359	173
Less intercompany revenue	(7)	(19)	(10)
Operating revenue	200	430	210
Segment assets (1)	150	288	318
Corporate assets	23	1	–
Total assets	173	289	318
Continuing operations earnings	1	4	3
Discontinued operations earnings	4	(24)	3
Less corporate costs and Rubicon financing expense	(3)	(4)	(2)
Net Earnings	**2**	**(24)**	**4**

(1) The reduction in total assets reflects Tenon's goodwill impairment in June 2016 and the sale of its US distribution operations in December 2016.

9 DISCONTINUED OPERATIONS

North American distribution business

On 1 December 2016, Tenon settled the sale of its US Distribution business to Blue Wolf for $113 million [1]. The proceeds of the sale, after repayment of Tenon's debt obligations at 30 November 2016, was returned to shareholders as a $71 million capital return on 23 December 2016. After costs of sale Tenon recorded a $1 million loss on sale in the period. The five months of trading, of the US distribution business, have been treated as a North American distribution business.

	RUBICON GROUP		
	6 Months Dec 2016 US$m	Year Ended Jun 2016 US$m	6 Months Dec 2015 US$m
Gross revenue	160	359	173
Less intercompany revenue	(7)	(19)	(10)
Net operating revenue	153	340	163
Profit before taxation [2]	6	(20)	4
Loss on disposal [3]	(1)	–	–
Tax expense on profit before Taxation	(1)	(4)	(1)
Net profit after taxation from discontinued operations	4	(24)	3

(1) The initial sale price of $110 million was increased by $3 million due to an increase in the level of working capital between signing the sale and purchase agreement in August 2016 and settlement on 1 December 2016.

(2) Profit before taxation from discontinued operations includes:

Depreciation	–	2	–
Financing expense [4]	2	3	2

(3) Loss on disposal

	6 Months Dec 2016 US$m
Cash inflow on sale of subsidiaries	113
Cost of sale	(5)
	108
Recognised values on sale	
Inventory	68
Trade and other receivables	28
Fixed assets	10
Goodwill	36
Trade and other payables	(32)
Provision for taxation	(1)
	109
Net loss on sale	(1)

STATEMENT OF CASH FLOWS
for the period ended

	RUBICON GROUP		
	6 Months Dec 2016 US$m	**Year Ended Jun 2016 US$m**	**6 Months Dec 2015 US$m**
Net cash from:			
Operating activities	1	27	7
Investing activities	108	(1)	(1)
Financing activities (4)	(1)	(3)	(1)
Net cash from discontinued operations	108	23	5

(4) The Tenon debt facility was secured over all of Tenon's assets, accordingly non-specific draw-downs and repayments of debt relating to the repaid facility are classified as continuing as they cannot be allocated. Discontinued financing expense and financing activities cash flow relate to interest costs on US specific funding and interest paid on Tenon's debt facility which has been allocated between continuing and discontinuing on a percentage of net assets, excluding tax provisions.

10 POST BALANCE DATE EVENTS

Clearwood announcement

On 14 February 2017 Tenon's independent directors announced they had signed an agreement to sell Tenon's Clearwood operating business to a group of investors (the consortium) for $55 million. The consortium, a Limited Partnership, comprises a group of private NZ and US investors, and includes Rubicon, who will retain a 50% (approximately) interest in the consortium.

The purchase price is payable in cash and is conditional on, amongst other things, Tenon shareholders approving the sale at a Special Shareholders' Meeting to be held on 20 March 2017, with a settlement date of 28 April 2017. At the same meeting; Tenon will be proposing that (subject to the sale being approved by shareholders) a pro-rata capital return of $43 million (of which Rubicon will receive $25.7 million) be made to shareholders on settlement, that Tenon will seek de-listing from the New Zealand Stock Exchange and then for Tenon to proceed to undertake a voluntary liquidation (after warranty claim period, six months after settlement) and return of all surplus funds (currently estimated to be a further $5.8 million (of which Rubicon will receive $3.5 million)) to shareholders. The capital return will be conducted by way of a court approved process.

11 NON-GAAP MEASURES

Rubicon uses EBITDA when discussing financial performance. This is a non-GAAP financial measure and is not recognised within IFRS. As it is not uniformly defined or utilised this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with GAAP. Management believes that EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age, depreciation policies and debt:equity structures. The following tables reconcile Net Earnings to operating earnings before financing expense and to EBITDA for Tenon and the total Rubicon Group.

	6 Months Dec 2016 US$m	Year Ended Jun 2016 US$m	6 Months Jun 2016 US$m	6 Months Dec 2015 US$m
Tenon				
Net Earnings	5	(21)	(27)	6
plus Loss on disposal of discontinued operations	1	–	–	–
plus Tax expense	3	4	3	1
plus Financing expense	2	3	1	2
Operating earnings before financing expense	11	(14)	(23)	9
plus Depreciation and amortisations	1	3	2	1
EBITDA (1)	12	(11)	(21)	10
plus Strategic review costs and other expenses (2)	1	37	36	1
Underlying EBITDA	13	26	15	11
less Discontinued Operations EBITDA	(9)	(19)	(12)	(7)
plus Support Costs (1) and Australia branch operating loss	1	5	3	2
Clearwood EBITDA	5	12	6	6

Total Rubicon Group				
Net Earnings	2	(24)	(28)	4
plus Loss on disposal of discontinued operations	1	–	–	–
plus Tax expense	3	4	3	1
plus Financing expense	4	5	2	3
Operating earnings before financing expense	10	(15)	(23)	8
plus Depreciation and amortisations	1	3	2	1
EBITDA (1)	11	(12)	(21)	9
plus Strategic review costs and other expenses (2)	1	37	36	1
Underlying EBITDA	12	25	15	10

(1) December 2016 includes Tenon's FX losses of $0.3 million (June 2016: FX losses $0.4 million, December 2015: FX losses $0.6 million).

(2) Comprises Tenon's strategic review costs $0.2 million and Texas warehouse consolidation costs of $0.6 million (June 2016: strategic review costs $3 million, goodwill impairment $31 million, Australia impairment $2 million and Texas warehouse consolidation costs of $1 million, December 2015: strategic review costs $1 million).

Investor Information

INVESTOR ENQUIRIES / REGISTERED OFFICE

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PO Box 68 249, Newton,
Auckland 1145, New Zealand
Telephone: 64 9 356 9800
Facsimile: 64 9 356 9801
Email: information@rubicon-nz.com
Website: www.rubicon-nz.com

STOCK EXCHANGE LISTING

The Company's shares (RBC) are listed on the NZSX.

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about share transactions or changes of address should contact the Share Registrar:
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland
Private Bag 92 119,
Auckland 1142, New Zealand
Telephone: 64 9 488 8777
Facsimile: 64 9 488 8787
Email: enquiry@computershare.co.nz

ELECTRONIC COMMUNICATIONS

You can elect to receive your shareholder communications electronically.

To register, visit www.investorcentre.com/nz. To initially access this website, you will need your CSN or Holder Number and FIN. You will be guided through a series of steps to register your account, including setting up a new user ID and password for on-going use of the website.

Once logged in, click on "My Profile". In the Communication preferences panel, click "update".

Alternatively send your name, address and CSN or holder number to ecomms@computershare.co.nz advising you wish to receive your Rubicon shareholder communications by email.


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AGV123
Ship
1/11/16
Stick
1/13/16
BV AGV123
RUBICON